

**Internal Control Assessment  
FSA's Capital Assets Recording**

**Purpose**

To ensure that proper internal control exists regarding FSA's recording of its capital assets transactions.

**Background**

In accordance with the General Accounting Office (GAO), FSA is required to accurately and promptly record its capital asset transactions. Also, FSA is required to properly classify its capital assets. FSA must record all capital asset transactions to a specific G/L account that is in conformance with Treasury's Standard General Ledger. Also capital asset transactions should be recorded to the proper budget object class specified in OMB Circular A-11. Capital asset transactions should be recorded in the budget object class series XXXX. The recording process applies to the entire life cycle of a transaction or event.

FSA must record its capital asset transactions, based upon capitalization criteria that have been established for assets with an estimated useful life of two years or more. Capital assets include both tangible and intangible assets, e.g., information technology software. Also capital assets include certain types of leased equipment. The recording of FSA's capital assets transactions should contain information on all resources expended, the execution of required processes or procedures, and results achieved.

As depreciation accrues, it must be recorded as an expense and accumulated in a contra asset account classified as accumulated depreciation. Depreciation begins when a tangible capital asset is placed into service, and continues to accrue until the useful life period of the tangible capital asset expires or it is sold, exchanged, impaired, lost, or stolen.

FSA must disclose all capital asset transactions in its annual financial statements, in accordance with all applicable accounting and reporting standards. At a minimum, capital assets should be grouped by major category, original cost, book value, useful life, etc.

**Internal Control Standard**

FSA must ensure that it accurately and timely record of all its capital assets transactions.

**Assessment of FSA's Compliance\***

We reviewed a sample of FSA's capital asset transactions, and determined that FSA is timely and accurately recording all its capital assets transactions.

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\* The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.